# CITY OF FRESNO

# EMPLOYEES RETIREMENT SYSTEM

## ANNUAL ACTUARIAL VALUATION

**June 30, 2005**

# City of Fresno Employees Retirement System

June 30, 2005 Actuarial Valuation

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GRS

GABRIEL, ROEDER, SMITH & COMPANY
CONSULTANTS & ACTUARIES

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October 20, 2005

Board of Retirement
Mr. Stanley McDivitt
City of Fresno Employees Retirement System
2828 Fresno Street, Room 201
Fresno, CA 93721-1327

Members of the Board and Stan:

Results of the Annual Actuarial Valuation as of June 30, 2005 of City of Fresno Employees Retirement System are summarized. The valuation is intended to provide a measure of the funding status of the retirement system. This valuation also forms the basis for the contribution rates for the year beginning July 1, 2006, subject to updating the Surplus Offset one year after the initial calculation. Please refer to Table 4 on page 16.

| | 2005 Valuation | 2004 Valuation |
|---|---|---|
| 1) Employer Normal Cost | 10.51% | 10.42% |
| 2) Surplus Offset | 8.95% | 8.34% |
| 3) Prepaid Contribution | 1.56% | 2.08% |
| | EQUALS | |
| Net Contribution: (1) - (2) - (3) | 0.00% | 0.00% |
| **Funded Ratio** | 139.8% | 133.8% |

The member statistical data on which the valuation was based was furnished by staff, together with pertinent data on financial operations. Data was reviewed for reasonableness, but was not audited by the actuary. There was an overall actuarial gain of $32.9 million, which reflects 5.9% of related actuarial accrued liabilities as of June 30, 2004.

The cooperation of staff in furnishing materials requested for this valuation is deeply acknowledged with appreciation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY

Rick A. Roeder, E.A., F.S.A., M.A.A.A.

Jay D. Hirsch, E.A., F.S.A.

GRS

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October 20, 2005

Board of Retirement
City of Fresno
Employees Retirement System
2828 Fresno Street, Room 201
Fresno, CA 93721-1327

Dear Members of the Board:

We are pleased to present the actuarial valuation for the City of Fresno Employees Retirement System prepared as of June 30, 2005 by Gabriel, Roeder, Smith and Company. The report includes:

1. A determination of the City normal contribution rates under the current actuarial methods and assumptions;

2. A determination of the employee contribution rates under the current actuarial methods and assumptions; and

3. The distribution of actuarial surplus.

This report conforms with the requirements of the governing State and local statutes, accounting rules, and generally accepted actuarial principles and practices.

The undersigned member of the American Academy of Actuaries and an ERISA Enrolled Actuary meets the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion.

Sincerely,

Rick Roeder

Rick Roeder, E.A., F.S.A., M.A.A.A.

City of Fresno Employees Retirement System

## Summary of Significant Valuation Results

| | June 30, 2005 | June 30, 2004 | *Percent Change* |
|---|---|---|---|
| I. Total Membership | | | |
| A. Active Members | 2,061 | 2,037 | *1.2%* |
| B. DROP members | 225 | 223 | *0.9%* |
| C. Pensioners | 1,202 | 1,161 | *3.5%* |
| D. Vested Deferreds | 127 | 113 | *12.4%* |
| E. Total | 3,615 | 3,534 | *2.3%* |
| II. Valuation Compensation at June 30 | | | |
| A. Total Annual Payroll (including DROP) | $102,557,676 | $99,744,943 | *2.8%* |
| B. Average Annual Compensation | $44,863 | $44,135 | *1.6%* |
| III. Benefits to Current Pensioners and Beneficiaries | | | |
| A. Total Annual Benefits | $23,571,732 | $22,550,796 | *4.5%* |
| B. Average Monthly Benefit Amount | $1,634 | $1,619 | *0.9%* |
| IV. System Assets (Actuarial Value) | $790,857,722 | $741,766,367 | *6.6%* |
| V. Total System Liabilities | $565,549,812 | $554,366,149 | *2.0%* |
| VI. Prefunded Actuarial Accrued Liability IV - V | $225,307,910 | $187,400,218 | *20.2%* |
| VII. Budget Items | **FY 2006-2007** | **FY 2005-2006** | |
| 1. Normal Cost as a Percent of Pay | 10.51% | 10.42% | *0.9%* |
| 2. Surplus Offset | 8.95% | 8.34% | *7.3%* |
| 3. Prepaid Contribution | 1.56% | 2.08% | *(25.0)%* |
| 4. Total Contribution[1] | 0.00% | 0.00% | *0.0%* |
| VIII. Funded Ratio (Based on Actuarial Value of Assets) | 140% | 134% | *4.5%* |
| IX. Funded Ratio (Based on Market Value of Assets Net of Excludable Reserves) | 149% | 141% | *5.7%* |

[1] Percent is inclusive of DROP payroll

City of Fresno Employees Retirement System

## Comments & Recommendations

June 30, 2005

**COMMENT A:** Again, there is no required contribution to the System for the 2006-07 fiscal year. The City normal cost rate was virtually unchanged from last year -- 10.51%. We project that it will be necessary to use some of the prepayment account to reduce the fiscal 06-07 contribution to zero. Bear in mind that the 8.95% "surplus" credit against the normal cost is merely a projection. System practice has been to finalize the Surplus Offset rate as part of the subsequent valuation.

**COMMENT B:** There was an increase in the actuarial funded ratio from 134% to 140% due to significant actuarial gains of $32.9 million dollars. Principal components of the actuarial gain:

1) The actuarial rate of return was 9.84% -- well in excess of the 8.25% assumption. The actuarial rate of return smoothes unexpected returns over a five-year period.

2) Average pays only increased by 1.7% -- significantly less than the System's 4.25% inflation assumption.

3) There was a relatively low COLA adjustment of 1.6%.

The funded ratio, using market value of assets, increased from 141% to 149%.

**COMMENT C:** The PRSB benefit increased in this valuation from $115.94 to $184.21. We have two observations. The number count provided by staff, 1,163, is slightly less than the 1,202 members we are showing as currently being in pay status. We presume that the difference may be due to Alternate Payees who are receiving payment due to a domestic relations order. Also, staff has indicated that the monthly benefit of $711 is unchanged from last year's valuation.

**COMMENT D:** In our calculations, we have assumed that 8.25% interest would be credited to the Prepaid Contribution Reserve. We have not assumed similar treatment in the projection of the City Surplus Reserve Account.

**COMMENT E:** We are valuing the same benefits as in the 2004 valuation.

# FINANCIAL PRINCIPLES
# AND
# OPERATIONAL TECHNIQUES

Promises Made, and To Be Paid For. As each year is completed, the Retirement System in effect hands an "IOU" to each member then acquiring a year of service credit – the "IOU" says: "City of Fresno Employees Retirement System owes you one year's worth of retirement benefits, payments in cash commencing when you qualify for retirement."

The related key financial questions are:

Which generation of taxpayers contributes the money to cover the IOU?

The present taxpayers, who receive the benefit of the member's present year of service?

Or the future taxpayers, who happen to be in City of Fresno at the time the IOU becomes a cash demand, years and decades later?

The principle of level percent of payroll financing intends that this year's taxpayers contribute the money to cover the IOUs being handed out this year. By following this principle, the employer contribution rate will remain approximately level from generation to generation – our children and our grandchildren will contribute the same percents of active payroll we contribute now.

(There are systems which have a design for deferring contributions to future taxpayers, lured by a lower contribution rate now and putting aside the consequence that the contribution rate must then relentlessly grow much greater over decades of time.)

An inevitable by-product of the level-cost design is the accumulation of reserve assets, for decades, and income produced when the assets are invested. Invested assets are a by-product and not the objective. Investment income becomes, in effect, the 3rd contributor for benefits to employees, and is interlocked with the contribution amounts required from employees and employer.

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Translated to actuarial terminology, this level-cost objective means that the contribution rates must total at least the following:

Current Cost (the cost of members' service being rendered this year) . . .

plus. . .

Interest on Prefunded Accrued Liabilities (Prefunded accrued liabilities are the difference between (i) liabilities for service already rendered and (ii) the accrued assets of the plan).

Computing Contributions To Support System Benefits. From a given schedule of benefits and from the employee data and asset data furnished, the actuary determines the contribution rates to support the benefits, by means of an actuarial valuation and a funding method.

An actuarial valuation has a number of ingredients such as: the rate of investment return which plan assets will earn; rates of withdrawal of active members who leave covered employment; rates of mortality; rates of disability; rates of pay increases; and the assumed age or ages at actual retirement. In an actuarial valuation assumptions must be made as to what the above rates will be, for the next year and for decades in the future. Only the subsequent actual experience of the plan can indicate the degree of accuracy of the assumptions.

Reconciling Differences Between Assumed Experience and Actual Experience. Once actual experience has occurred and been observed, it will not coincide exactly with assumed experience, regardless of the wisdom behind the various financial assumptions or the skill of the actuary and the millions of calculations made. The future can be predicted with considerable but not complete precision, except for inflation which defies reliable prediction.

The System copes with these continually changing differences by having annual actuarial valuations. Each actuarial valuation is a complete recalculation of assumed future experience, taking into account all past differences between assumed and actual experience. The result is continual adjustments in the computed employer contribution rates.

## THE ACTUARIAL VALUATION PROCESS

The financing diagram on the following page shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match cash benefit payments (or barely exceed cash benefit payments, as in the Federal Social Security program) which is an increasing contribution method; and the level contribution method which equalizes contributions between the generations.

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The actuarial valuation is the mathematical process by which the level contribution rate is determined. The flow of activity constituting the valuation may be summarized as follows:

A. Covered people data, furnished by the System including:
   Retired lives now receiving benefits
   Former employees with vested benefits not yet payable
   Active employees

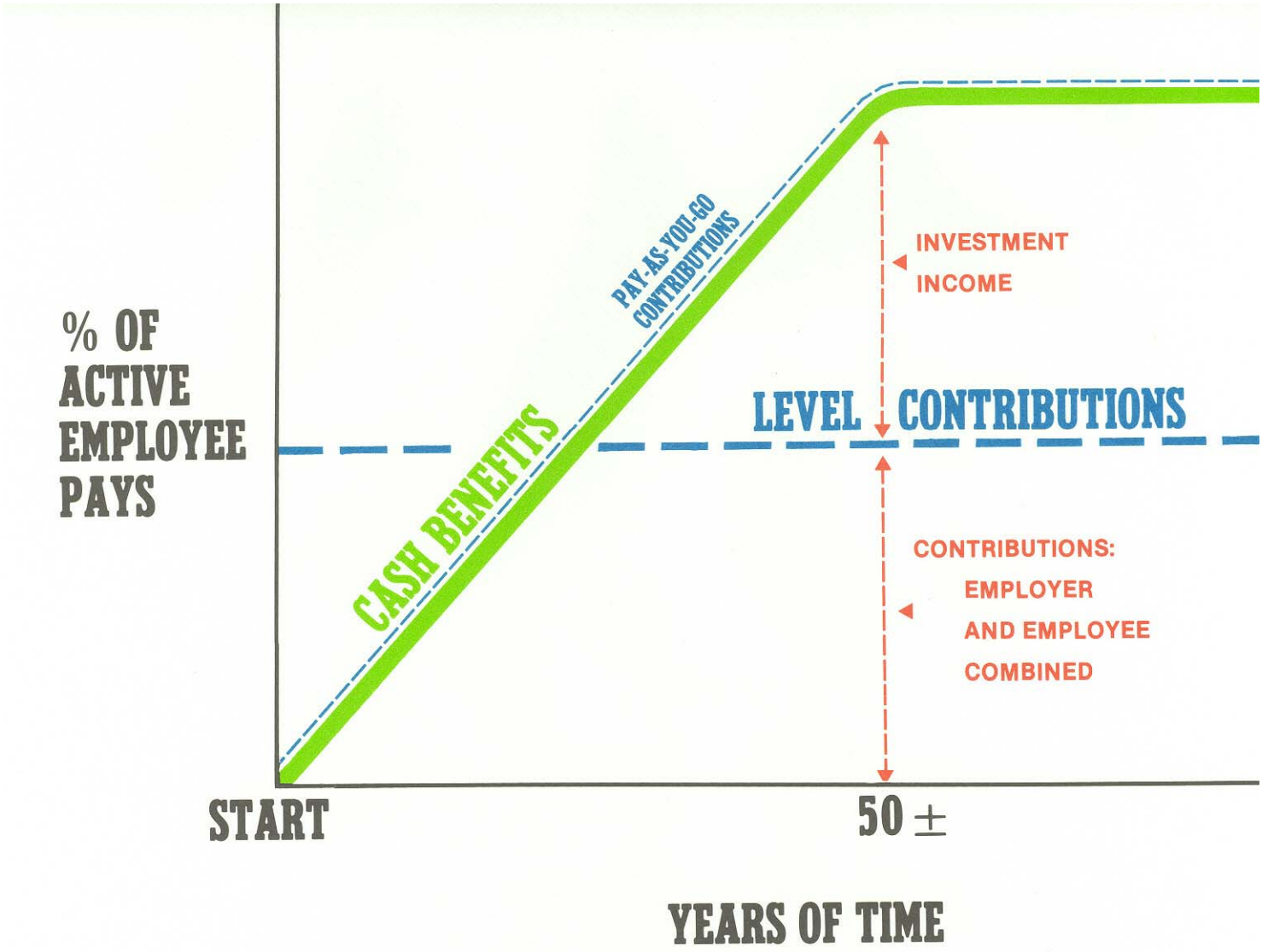
B. + Asset data (cash & investments), furnished by the System

C. + Assumptions concerning future experience in various risk areas, which are established by the Board after consulting with the actuary

D. + The funding method for employer contributions (the long-term, planned pattern for employer contributions)

E. + Mathematically combining the assumptions, the funding method, and the data

F. = Determination of:
   Plan Financial Position and/or
   Employer's New Contribution Rate




**CASH BENEFITS LINE.** **This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).**

**LEVEL CONTRIBUTION LINE.** **Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:**

**Economic Risk Areas**

- **Rates of investment return**
- **Rates of pay increase**
- **Changes in active member group size**

**Non-Economic Risk Areas**

- **Ages at actual retirement**
- **Rates of mortality**
- **Rates of withdrawal of active members (turnover)**
- **Rates of disability**

# VALUATION RESULTS

## FUNDING OBJECTIVE

The funding objective of the Retirement System is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens.

## CONTRIBUTION RATES

The System is supported by member contributions, employer contributions, and investment income from Fund assets.

Contributions which satisfy the funding objective are determined by the annual actuarial valuation and are intended to:

1. cover the actuarial present value of benefits allocated to the current year by the actuarial cost method (the normal cost); and
2. finance over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs.

Computed contributions for the fiscal year beginning July 1, 2005 are shown on the following pages.

City of Fresno Employees Retirement System

## Computed Contribution Rates

(Expressed as Percents of Active Payroll)

| Valuation Date | **2004** | **2005** |
|---|---|---|
| Fiscal Year End | 2006 | 2007 |
| 1) Normal Cost | 10.42% | 10.51% |
| 2) Surplus Offset | 8.34% | 8.95% |
| 3) Prepaid Contribution | 2.08% | 1.56% |
| **Total City Contribution: (1) - (2) - (3)** | 0.00% | 0.00% |
| **Funded Ratio** | 133.8% | 139.8% |

Ongoing Prefunded Actuarial Accrued Liabilities (PAAL) are a byproduct of actuarial gains and losses, as well as benefit, assumption and methodology changes. Each valuation generates an actuarial gain (loss) for each group valued. Currently, the excess of the actuarial value of assets over actuarial value of liabilities is the catalyst for a City contribution offset via the allocation of distributed surplus. 15-year amortization is used as part of that calculation.

City of Fresno Employees Retirement System

## Computed Contribution Rates

June 30, 2005

(Expressed as Percents of Active Payroll)

### Elements of Normal Cost

| | |
|---|---|
| Normal Retirement | 14.00% |
| Vested Deferred Retirement | 1.75 |
| Death-In-Service[1] | 0.29 |
| Disability[1] | 1.01 |
| Contribution Refunds | 0.72 |
| **Total Normal Cost** | **17.77%** |
| Less | |
| Employee Contributions | 7.26% |
| Equals | |
| **Employer Normal Cost** | **10.51%** |

[1] These figures could be viewed as overstated, and Normal Retirement figures understated, since, in many cases, an active member, who dies or becomes disabled will have significant service credit accrued and may be eligible for service retirement at time of disability or death benefit grant.

### Member Contributions

Please refer to Appendix A for a detailed list of these rates.

| | (Percents of Pay) | |
|---|---|---|
| | All Active Members | |
| | 2005 | 2004 |
| Weighted employee contribution rate | 7.26% | 7.24 % |

## Derivation of Experience Gain (Loss)

The actuarial gains or losses realized in the operation of the System provide an experience test. Gains and losses are expected to cancel each other over a period of years and sizable year-to-year fluctuations are common.

| | |
|---|---|
| (1) PAAL* at beginning of year | $187,400,218 |
| (2) City Contribution Offset | 10,539,966 |
| (3) Employee COLA Contribution Offset | 3,145,806 |
| (4) Interest Accrual: [(1) * .0825 - [(2) + (3)] * .04125)] | 14,895,980 |
| (5) Reduction in City Surplus Reserve | 3,786,000 |
| (6) Expected PAAL at the end of year (1) - (2) - (3) + (4) + (5) | 192,396,426 |
| (7) Actual End of Year PAAL | 225,307,910 |
| (8) (Gain)/Loss | $32,911,484 |
| (9) (Gain)/Loss as percentage actuarial accrued liabilities at beginning of year | 5.9% |

* Prefunded actuarial accrued liability

City of Fresno Employees Retirement System

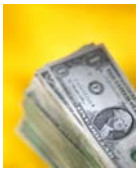
## Gain/Loss on Prefunded Accrued Liability

### Components of Actuarial Gain/(Loss) for the Year Ending June 30, 2005

| | |
|---|---|
| Estimated Gain/(Loss) attributed to pay increases | $5,170,726 |
| Gain/(Loss) due to lower COLA increase than assumed | $8,924,717 |
| Estimated Gain/(Loss) attributed to employee turnover, active life mortality, retirement incidence and miscellaneous factors | ($2,602,630) |
| Retiree Mortality and related data Gain/(Loss) | $9,816,331 |
| Estimated Gain/(Loss) attributed to investment experience | $11,602,340 |
| Total Estimated Experience Gain/(Loss) | $32,911,484 |

### Prefunded Actuarial Accrued Liability

| | |
|---|---|
| Actuarial Value of Assets | $790,857,722 |
| LESS | |
| Actuarial Value of Liabilities | $565,549,812 |
| EQUALS | |
| Prefunded Actuarial Accrued Liability | $225,307,910 |



City of Fresno Employees Retirement System

## Funding Progress Indicators

June 30, 2005

There is no single all-encompassing indicator which measures a retirement system's funding progress and current funded status. A traditional measure has been the relationship of valuation assets to Prefunded Actuarial Accrued Liability – a measure that is influenced by the choice of actuarial cost method.

We believe a better understanding of funding progress and status can be achieved using the following indicators which are independent of the actuarial cost method.

1. The ratio of valuation assets to the actuarial present value of credited projected benefits allocated in the proportion accrued service is to projected total service – a plan continuation indicator.

2. The ratio of the Prefunded actuarial present value of credited projected benefits to member payroll a plan continuation indicator. In a soundly financed retirement system, the amount of the actuarial present value of credited projected benefits will be controlled and prevented from increasing in the absence of benefit improvements or strengthening of actuarial assumptions. However, in an inflationary environment it is seldom practical to impose this control on dollar amounts which are depreciating in value. The ratio is a relative index of condition where inflation is present in both items. The ratio is expected to decrease in the absence of benefit improvements or strengthening of actuarial assumptions.

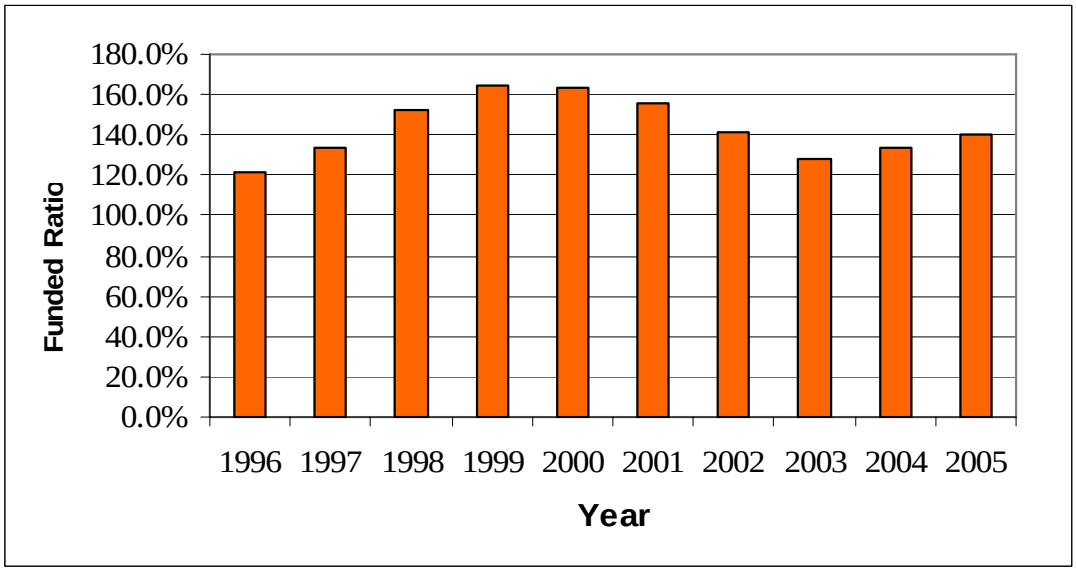
City of Fresno Employees Retirement System

## Funding Progress Indicators – Historic Comparison

($ in Thousands)

| Valuation Date | Valuation Assets | Actuarial Accrued Liability | Prefunded AAL | Funded Ratio | Member Payroll | PAAL Ratio to Payroll |
|---|---|---|---|---|---|---|
| 6/30/96 | $460,073 | $377,719 | $82,354 | 121.8% | $67,450 | 122% |
| 6/30/97 | 538,055 | 402,367 | 135,688 | 133.7 | 69,287 | 196 |
| 6/30/98 | 625,121 | 409,175 | 215,946 | 152.8 | 69,793 | 309 |
| 6/30/99 | 702,481 | 426,538 | 275,943 | 164.7 | 76,382 | 361 |
| 6/30/00 | 770,649 | 471,207 | 299,442 | 163.5 | 84,717 | 354 |
| 6/30/01 | 781,831 | 500,586 | 281,245 | 156.2 | 90,177 | 312 |
| 6/30/02 | 748,762 | 529,805 | 218,957 | 141.3 | 93,086 | 235 |
| 6/30/03 | 698,885 | 545,687 | 153,198 | 128.1 | 97,349 | 157 |
| 6/30/04* | 708,107 | 574,083 | 134,024 | 123.3 | 99,745 | 134 |
| 6/30/04 | 741,766 | 554,366 | 187,400 | 133.8 | 99,745 | 188 |
| 6/30/05 | 790,858 | 565,550 | 225,308 | 139.8 | 102,558 | 220 |

* Before change in assumption



City of Fresno Employees Retirement System

**Actuarial Balance Sheet – June 30, 2005**

($ in Thousands)

## Present Resources and Expected Future Resources

| | | | |
|---|---|---|---|
| A. | Actuarial value of system assets | | $790,857,722 |
| B. | Present value of expected future contributions | | |
| | 1. For normal costs for present actives | $81,744,856 | |
| | 2. For prefunded actuarial accrued liability | ($225,307,910) | |
| | 3. Totals | | ($143,563,054) |
| C. | Present value of expected future member contributions[1] | | $50,438,398 |
| D. | Total Present and Expected Future Resources | | $697,733,066 |

## Present Value of Expected Future Benefit Payments and Reserve

| | | | |
|---|---|---|---|
| A. | to retirants, beneficiaries, and DROPS | | $347,039,203 |
| B. | To vested terminated members | | $13,263,718 |
| C. | To present active members | | |
| | 1. Allocated to service rendered prior to valuation date | $205,246,891 | |
| | 2. Allocated to service likely to be rendered after valuation date | $132,183,254 | |
| | 3. Totals | | $337,430,145 |
| D. | Total Present Value of Expected Future Benefit Payments | | $697,733,066 |

[1] Prior to any employer pick-up contributions or offset.

City of Fresno Employees Retirement System

## Calculation of PRSB Reserve Account

June 30, 2005

### Amortization of Actuarial Surplus

The actuarial surplus is being amortized over a fixed 15-year period. The 15-year period is roughly equal to the 8.25% expected investment return on surplus.

### Summary of Surplus Allocation

| | |
|---|---|
| **Available Surplus as of 6/30/2005** (Table 1) | $225,307,910 |
| Actuarial Surplus (Table 1) | 168,752,929 |
| June 30, 2005 Distributable Actuarial Surplus (Table 2) | 14,724,537 |
| Allocation of June 30, 2005 Distributable Surplus: | |
| 2005 - 2006 Fiscal Year Member COLA Contribution Offset (Table 3) | 3,303,000 |
| 2005 - 2006 Fiscal Year City COLA Contribution Offset (Table 3) | 3,303,000 |
| Additional City Allocation (Table 3) | 5,412,358 |
| PRSB Allocation (Table 3) | 2,706,179 |
| Total | 14,724,537 |
| **Allocation of June 30, 2006 Distributable Surplus:** | |
| 2006 - 2007 Fiscal Year Member COLA Contribution Offset (Table 3) | 3,406,000 |
| 2006 - 2007 Fiscal Year City COLA Contribution Offset (Table 3) | 3,406,000 |
| Additional City Allocation (Table 3) | 5,193,016 |

The allocation of Distributable Actuarial Surplus is sufficient to:

- Provide for member and City COLA contribution requirement for the 2006-2007 fiscal year;
- Provide for a portion of the City's contribution requirement for the 2006-2007 fiscal year (Table 4) and;
- Provide a PRSB benefit of $184.21 per month over the 2006 calendar year (Table 5).

City of Fresno Employees Retirement System

## Calculation of PRSB Reserve Account

June 30, 2005

### Table 1: Calculation of June 30, 2005 Actuarial Surplus

| | | |
|---|---|---|
| 1. | Actuarial Value of Assets as of 6/30/2005 | $790,857,722 |
| 2. | Actuarial Accrued Liability as of 6/30/2005 | 565,549,812 |
| 3. | Surplus as of 6/30/2005: (1) – (2) | 225,307,910 |
| 4. | Contingency Reserve : 10% x (2) | 56,554,981 |
| 5. | **Actuarial Surplus**: (3) – (4) | **168,752,929** |

### Table 2: Determination of June 30, 2005 Distributable Actuarial Surplus and Projected June 30, 2006 Distributable Actuarial Surplus

| | | |
|---|---|---|
| 6. | June 30, 2005 Actuarial Surplus (Table 1) | 168,752,929 |
| 7. | Amortization of Balance of June 30, 2005 Actuarial Surplus: | |
| | a. Amortization period | 15 |
| | b. Amortization factor | 0.087255 |
| | c. Amortization of 6/30/2005 Actuarial Surplus Balance: (6) x (7b) | 14,724,537 |
| 8. | Projected June 30, 2006 Surplus (1.0825 x (6) - 1.04125 x (7c) | 167,343,121 |
| 9. | Amortization of Balance of June 30, 2005 Projected Actuarial Surplus: | |
| | a. Amortization period | 15 |
| | b. Amortization factor | 0.087255 |
| | c. Amortization of 6/30/2006 Actuarial Surplus Balance : (8) x (9b) | 14,601,524 |

City of Fresno Employees Retirement System

## Calculation of PRSB Reserve Account

June 30, 2005

### Table 3: Allocation of June 30, 2005 Distributable Actuarial Surplus

| | | |
|---|---|---|
| 1. | June 30, 2005 Distributable Actuarial Surplus (Table 2) | $14,724,537 |
| 2. | Expected COLA contributions for Fiscal Year 2005 - 2006 (from June 30, 2004 Actuarial Report) | |
| | a. City | 3,303,000 |
| | b. Members | 3,303,000 |
| | c. Total | 6,606,000 |
| 3. | Net June 30, 2005 Distributable Actuarial Surplus : (1) - (2c) | 8,118,537 |
| 4. | Additional City Allocation: (3) x 2/3 | 5,412,358 |
| 5. | PRSB Allocation: (3) - (4) | 2,706,179 |
| 6. | June 30, 2006 Distributable Actuarial Surplus (Table 2) | 14,601,524 |
| 7. | Expected COLA contributions for Fiscal Year 2006 – 2007 (from June 30, 2005 Actuarial Report) | |
| | a. City | 3,406,000 |
| | b. Members | 3,406,000 |
| | c. Total | 6,812,000 |
| 8. | Net June 30, 2006 Distributable Actuarial Surplus: (6) - (7) | 7,789,524 |
| 9. | Additional City Allocation: (8) x 2/3 | 5,193,016 |

The PRSB Allocation (along with the PRSB Reserve Account) is available to provide retirees and beneficiaries as of June 30, 2005 a monthly PRSB benefit as derived in Table 5.

The City Allocation (Items 7a and 9) along with any City Surplus Reserve is available to reduce City contributions for the 2006-2007 fiscal year. Table 4 provides the projected City contribution requirements from the June 30, 2005 actuarial valuation, net of the City Allocation.

The projected portion of Actuarial Surplus available to reduce members' COLA contributions.
(Item 7b) is sufficient to eliminate all member COLA contributions for the 2006-2007 fiscal year.

City of Fresno Employees Retirement System

## Calculation of PRSB Reserve Account

June 30, 2005

### Table 4: City Contribution Requirements for Fiscal Year 2006 - 2007

| | | Fiscal Year 06-07 | | | Fiscal Year 05-06 | | |
|---|---|---|---|---|---|---|---|
| | | Basic | COLA | Total | Basic | COLA | Total |
| 1. | City normal cost rate | 7.39% | 3.12% | 10.51% | 7.31% | 3.11% | 10.42% |
| 2. | Projected Annual Payroll | $109,164,710 | $109,164,710 | $109,164,710 | $104,714,350 | $104,714,350 | $104,714,350 |
| 3. | City Allocation of Fiscal Year Distributable Actuarial Surplus (Table 3) | 5,193,016 | 3,406,000 | 8,599,016 | 5,412,358 | 3,303,000 | 8,715,358 |
| 4. | City Surplus Reserve Account (From Prior Years) | 1,168,739 | 0 | 1,168,739 | 3,365,000 | 0 | 3,365,000 |
| 5. | Total contribution offsets available (Item 3 + Item 4) | 6,361,755 | 3,406,000 | 9,767,755 | 8,777,358 | 3,303,000 | 12,080,358 |
| 6. | Offset contribution required (Item 1 x Item 2) | 8,067,272 | 3,406,000 | 11,473,272 | 7,654,619 | 3,257,000 | 10,911,619 |
| 7. | Unused offset (Item 5 - Item 6, not less than 0) | 0 | 0 | 0 | 1,122,739 | 46,000 | 1,168,739 |
| 8. | Additional offset required (Item 6 - Item 5, not less than 0) from Prepaid Contribution | 1,705,517 | 0 | 1,705,517 | 0 | 0 | 0 |
| 9. | Prepaid Contribution | 5,272,912 | 0 | 5,272,912 | 4,871,050 | 0 | 4,871,050 |
| 10. | City contribution requirement (Item 6 - Item 10 - Item 11, not less than 0) | 0 | 0 | 0 | - | - | - |
| 11. | Estimated City Surplus Reserve Account for future years (Excess of Item 7 over Item 8) | 0 | 0 | 0 | 0 | 0 | 1,168,739 |

City of Fresno Employees Retirement System

## Calculation of PRSB Reserve Account

June 30, 2005

### Table 5: Calculation of PRSB for 2006 and PRSB Reserve Account

| | | This Year | Last Year |
|---|---|---|---|
| 1. | PRSB Allocation of 6/30/2005 Distributable Actuarial Surplus (Table 3) | $2,706,179 | $1,676,828 |
| 2. | PRSB Reserve Account (as of Valuation Date) | 946,000 | 352,000 |
| 3. | Estimated 7/1/2005 to 12/31/2005 PRSB Payments | 946,000 | 352,000 |
| 4. | Total amount available for PRSB (1) + (2) – (3) | 2,706,179 | 1,676,828 |
| 5. | 95% X (4) | 2,570,870 | 1,592,987 |
| 6. | Number of eligible participants on 6/30/2005 (Retirees & Beneficiaries) | 1,163 | 1,145 |
| 7. | Monthly PRSB Benefit (5) / (6) / 12 | 184.21 | 115.94 |
| 8. | Monthly Benefit | 711.00 | 711.00 |
| 9. | Benefit Shortfall (8) - (7) | 526.79 | 595.06 |
| 10. | Estimated PRSB Reserve Account as of End of Year: (4) - (6) x (7) x 12 | 135,309 | 83,841 |

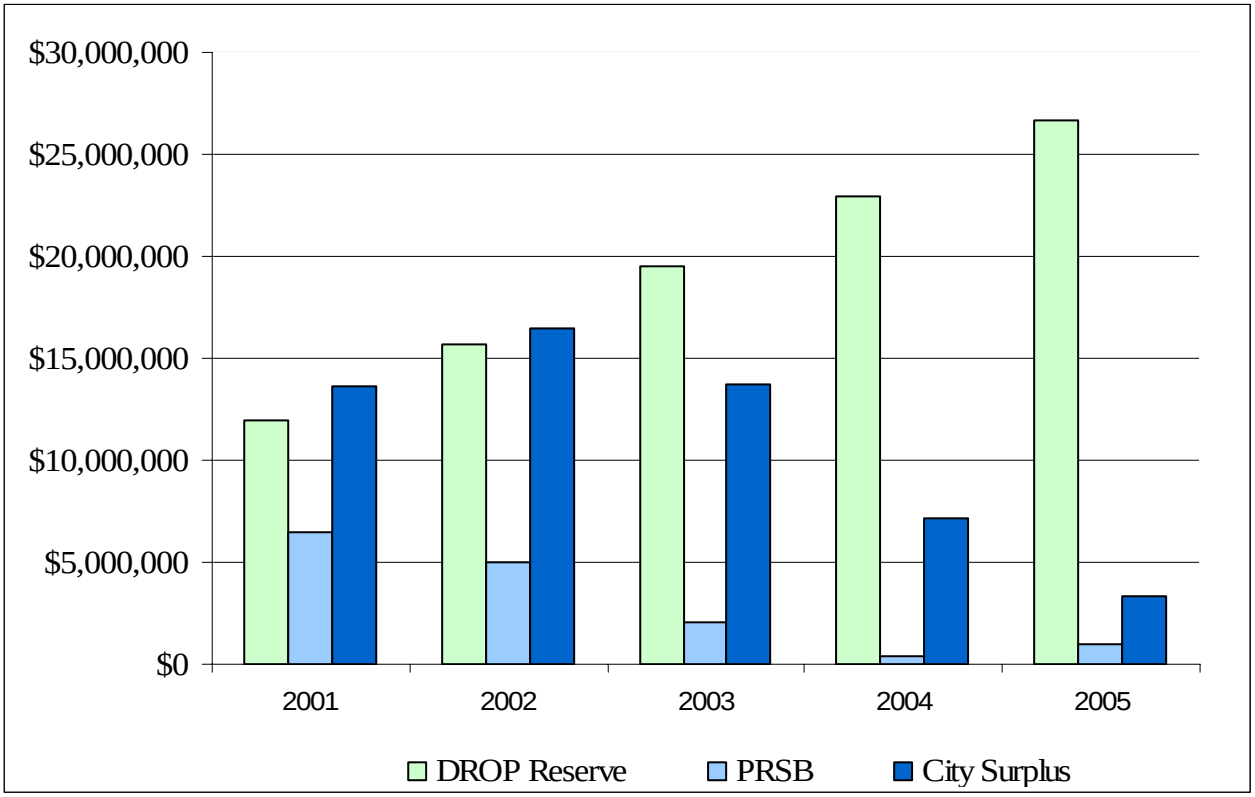
Under section 2-1853(f)(4)(iii)(2) of the Municipal Code, we understand that the PRSB reserve shall be used to increase the PRSB benefit to the extent necessary to pay the monthly health insurance premium.

The actual, rather than projected 2006 surplus, will be used to determine the 2007 calendar year PRSB benefit.

City of Fresno Employees Retirement System

## Historical Progress of Surplus Accounts

| | DROP Reserve | PRSB | City Surplus |
|---|---|---|---|
| 6/30/2001 | $11,948,000 | $6,463,250 | $13,580,000 |
| 6/30/2002 | $15,640,731 | $5,041,003 | $16,459,017 |
| 6/30/2003 | $19,488,000 | $2,101,184 | $13,689,406 |
| 6/30/2004 | $22,947,000 | $352,000 | $7,151,000 |
| 6/30/2005 | $26,629,000 | $946,000 | $3,365,000 |



# SUMMARY OF BENEFIT PROVISIONS

# &

# VALUATION DATA SUBMITTED BY RETIREMENT SYSTEM

1. Membership Requirements – First day of employment for all non-Safety employees.

2. Final Compensation for Benefit Determination

   The highest average monthly compensation earnable by a member during any period of three consecutive years during his membership in the System, using the rate of pay in effect at the time of retirement.

3. Service Requirement

   A. Eligibility: Age 55 (age 50 in certain layoff situations) with 5 years of service

   B. Benefit Formula Per Year of Service

      2% times each of the first 25 years of non-DROP service plus 1% for any years in excess of 25, multiplied by the following factor at retirement age:

| Age | Factor | Age | Factor |
|---|---|---|---|
| 55 | 1.00 | 61 | 1.14 |
| 56 | 1.02 | 62 | 1.18 |
| 57 | 1.04 | 63 | 1.22 |
| 58 | 1.06 | 64 | 1.26 |
| 59 | 1.08 | 65 | 1.30 |
| 60 | 1.10 | 66 + | Add 0.01 each quarter year |

   C. Deferred Retirement Option (DROP)

      If eligible for service retirement, a member can elect DROP for a maximum of ten years while still working. Monthly deposits of foregone retirement allowances are made on such member's behalf based on the retirement allowance at date of DROP election.

   D. Maximum Benefit – Not Applicable.

(Continued on Next Page)

(Continued)

4. Ordinary or Duty Disability

   A. Eligibility – Ten years of continuous service.

   B. Benefit Formula – The greater of 1.8% of Final Compensation for each year of service or 1/3 of Final Compensation. Notwithstanding, the benefit shall not be less than any service retirement benefit eligible to be received at time of disability.

5. Pre-retirement Death Benefit

   A. Eligibility – Less than five years of service.

   B. Benefit – Refund of employee contributions with interest plus one month of final compensation for each year of service to a maximum of six years

   or

   A1. Eligibility – At least five years of service but ineligible for Service Retirement at death

   B1. Benefit – 50% of Service Retirement Benefit based on years of service at death

   or

   A2. Eligibility – Qualified for Service Retirement.

   B2. Benefit –50% survivor benefit based on benefit due on member's date of death.

(Continued on Next Page)

(Continued)

6. Death After Retirement

   A. Service or Disability Retirement

      - 50% of member's unmodified allowance

7. Withdrawal Benefits

   A. Less than Five Years of Service

      Refund of accumulated employee contributions with interest.

   B. Five or More Years of Service

      If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire.

8. Post-retirement Cost-of-Living Benefits

   Each July 1, benefits are increased based on increases in the local CPI, subject to a 5% maximum increase.

9. Post Retirement Supplemental Benefit (PRSB)

   Depending on the level of "surplus earnings", the Retirement Board will make a determination as to what benefit can be paid to eligible PRSB recipients. Such payments will commence on January 1.

10. Employer Contributions

    Determined by Projected Unit Credit cost method

11. Member Contributions

    Please refer to Appendix A for entry-age based rates. The basis is to provide an average annuity at age 55 of 1/150$^{th}$ of Final Average Compensation for each of the first 25 years of service and 1/300$^{th}$ for each year of service in excess of 25.

NOTE: The summary of major plan provisions is designed to outline principal plan benefits. If retirement staff or the City should find the plan summary not in accordance with the actual provisions, the actuary should be IMMEDIATELY alerted so they can both be sure the proper provisions are valued.

## System Assets

The following market value of assets was taken from the System's Annual Reports as of June 30, 2005 and June 30, 2004. We have not audited or verified the System financial statements.

| | June 30, 2005 | June 30, 2004 | Percent Change |
|---|---|---|---|
| Market Value | $872,474,218 | $812,456,930 | *7.39%* |
| Actuarial Value | $790,857,722 | $741,766,367 | *6.62%* |

The approximate rates of return on plan assets are shown below, based on the following analysis.

| | Market Value | Actuarial Value |
|---|---|---|
| **Value of Assets at 6/30/2004** | **$812,456,930** | **$741,766,367** |
| Contributions: | | |
| Employer | | |
| Members | 4,749,521 | 4,749,521 |
| Benefits Paid to Participants | (27,470,328) | (26,313,266) |
| Administrative Expenses Paid | (733,216) | (733,216) |
| **Total Non-Investment Cash Flow** | (23,454,023) | (22,296,961) |
| **Reduction in City Surplus** | | 3,786,000 |
| **Investment Earnings ( net of Investment Expenses)** | 83,471,311 | 67,602,316 |
| **Value of Assets at 6/30/2005** | **$872,474,218** | **$790,857,722** |
| **NET RATE OF RETURN (Net of Expenses)** | **10.42%** | **9.84%** |

City of Fresno Employees Retirement System

## Calculation of Actuarial Value of Assets

| | 5-Year Smoothing Plan Year Ended 6/30/05 |
|---|---|
| A. Actuarial Value Beginning of Year | $741,766,367 |
| B. Net Market Value End of Year | 872,474,218 |
| C. Net Market Value Beginning of Year | 812,456,930 |
| D1. Non-Investment Cash Flow (Market Value) | (23,454,023) |
| D2. Non-Investment Cash Flow (Actuarial Value) | (22,296,961) |
| E. Investment Income | |
| E1. Market Total = B - C - D1 | 83,471,311 |
| E2. Expected Return (8.25%) | 60,275,976 |
| E3. Phased-in Recognition | 23,195,335 |
| F. Phased-in Recognition | |
| F1. Current Year: 20% of E3 | 4,639,067 |
| F2. First Prior Year: 20% of 68,905,645 | 13,781,129 |
| F3. Second Prior Year: 25% of 4,727,250 | 1,181,813 |
| F4. Third Prior Year: 1/3 of (23,999,005) | (7,999,668) |
| F5. Fourth Prior Year | 0 |
| F6. Total Recognized Gain | 11,602,340 |
| G. Preliminary Funding Value = A + D2 + E2 + F6 | 791,347,722 |
| H. Excluded Assets | |
| H1. End of Year | 30,940,000 |
| H2. Beginning of Year | 30,450,000 |
| H3. Change = H1 - H2 | 490,000 |
| I. Final Funding Value = G - H3 | $790,857,722 |

City of Fresno Employees Retirement System

## System Accounting Assets, Reserves and Other Liabilities

June 30, 2005

| | 2005 | 2004 |
|---|---|---|
| **Assets:** | | |
| Cash | $1,776,233 | $2,303,156 |
| | | |
| Receivables: | | |
| Receivables for Investments Sold | 27,289,335 | 2,372,121 |
| Interest and Dividends | 3,316,282 | 4,548,869 |
| Other Receivables | 19,745,459 | 14,124,024 |
| Total Receivables | 50,351,076 | 21,045,014 |
| | | |
| Investments at Fair Value | | |
| Short Term Investments | 30,207,898 | 21,897,886 |
| Domestic Equity | 328,850,758 | 376,525,549 |
| Corporate Bonds | 104,797,673 | 128,376,482 |
| International Equity | 149,292,740 | 67,695,319 |
| Government Bonds | 145,371,616 | 129,316,041 |
| Emerging Market Equity | 28,406,990 | 26,324,574 |
| Real Estate | 81,260,711 | 66,562,889 |
| Total Investments | 868,188,386 | 816,698,740 |
| | | |
| Collateral Held for Securities Lent | 148,752,747 | 94,657,239 |
| Fixed Assets | 31,601 | |
| | | |
| **Total Assets** | **$1,069,100,043** | **$934,704,149** |
| | | |
| **Liabilities** | | |
| Collateral Held for Securities Lent | 148,752,747 | 94,657,239 |
| Prepaid Employer Contributions | 4,871,050 | 4,499,815 |
| Payable for Investments Purchased | 22,802,347 | 7,956,924 |
| Payable for Foreign Currency Purchased | 19,201,829 | 14,184,676 |
| Other Liabilities | 997,852 | 948,565 |
| **Total Liabilities** | **$196,625,825** | **$122,247,219** |
| | | |
| **Total Reserves** | **$872,474,218** | **$812,456,930** |
| | | |
| **Total Reserves and Liabilities** | **$1,069,100,043** | **$934,704,149** |

City of Fresno Employees Retirement System

## Membership Summary

In the June 30, 2005 Actuarial Valuation

| Active Members | | | |
|---|---|---|---|
| | **June 30, 2005** | **June 30, 2004** | **Percent Change** |
| Active | | | |
| A. Number | 2061 | 2037 | *1.2%* |
| B. Average Age | 45.4 | 45.2 | *0.4%* |
| C. Average Years of Service | 9.88 | 9.94 | *(0.6)%* |
| D. Annual Salary | | | |
| i. Total | $91,411,031 | $88,877,515 | *2.9%* |
| ii. Average | $44,353 | $43,632 | *1.7%* |
| DROP | | | |
| A. Number | 225 | 223 | *0.9%* |
| B. Average Age | 59.7 | 59.7 | *0.0%* |
| C. Average Years in DROP | 3.4 | 3.2 | *6.2%* |
| D. Annual Salary | | | |
| i. Total | $11,146,645 | $10,867,428 | *2.6%* |
| ii. Average | $49,541 | $48,733 | *1.7%* |
| **Retired and Inactive Members** | | | |
| | **June 30, 2005** | **June 30, 2004** | **Percent Change** |
| Retired Members | | | |
| A. Service Retirement | | | |
| i. Number | 814 | 781 | *4.2%* |
| ii. Annual Allowance | | | |
| Basic Only | $13,281,960 | $12,482,584 | *6.4%* |
| COLA | $4,729,820 | $4,769,175 | *(0.8)%* |
| Total | $18,011,780 | $17,251,758 | *4.4%* |
| Average Monthly Amount | $1,844 | $1,841 | *0.2%* |
| B. Disability Retirement | | | |
| i. Number | 127 | 121 | *5.0%* |
| ii. Annual Allowance | | | |
| Basic Only | $1,698,811 | $1,575,439 | *7.8%* |
| COLA | $590,033 | $568,180 | *3.8%* |
| Total | $2,288,844 | $2,143,619 | *6.8%* |
| Average Monthly Amount | $1,502 | $1,476 | *1.8%* |
| C. Beneficiaries | | | |
| i. Number | 261 | 259 | *0.8%* |
| ii. Annual Allowance | | | |
| Basic Only | $1,772,434 | $1,680,413 | *5.5%* |
| COLA | $1,498,674 | $1,475,007 | *1.6%* |
| Total | $3,271,108 | $3,155,419 | *3.7%* |
| Average Monthly Amount | $1,044 | $1,015 | *2.9%* |
| Inactive Vested Members | | | |
| A. Number | 127 | 113 | *12.4%* |

City of Fresno Employees Retirement System

**Active Members**

By Attained Ages and Years of Service

| Age Group | Years of Service to Valuation Date | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0-1 | 1-2 | 2-3 | 3-4 | 4-5 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35 & Up | Total |
| 15-19 NO. | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| TOT PAY | 30,417 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,417 |
| AVG PAY | 30,417 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,417 |
| 20-24 NO. | 13 | 4 | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21 |
| TOT PAY | 367,010 | 127,220 | 73,315 | 41,431 | 29,431 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 638,407 |
| AVG PAY | 28,232 | 31,805 | 36,657 | 41,431 | 29,431 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 30,400 |
| 25-29 NO. | 28 | 23 | 22 | 17 | 10 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 114 |
| TOT PAY | 796,071 | 874,128 | 829,956 | 659,058 | 451,796 | 570,633 | 0 | 0 | 0 | 0 | 0 | 0 | 4,181,642 |
| AVG PAY | 28,431 | 38,006 | 37,725 | 38,768 | 45,180 | 40,759 | 0 | 0 | 0 | 0 | 0 | 0 | 36,681 |
| 30-34 NO. | 23 | 25 | 23 | 14 | 15 | 59 | 5 | 0 | 0 | 0 | 0 | 0 | 164 |
| TOT PAY | 755,635 | 868,687 | 878,820 | 512,013 | 617,569 | 2,481,740 | 196,233 | 0 | 0 | 0 | 0 | 0 | 6,310,696 |
| AVG PAY | 32,854 | 34,747 | 38,210 | 36,572 | 41,171 | 42,063 | 39,247 | 0 | 0 | 0 | 0 | 0 | 38,480 |
| 35-39 NO. | 22 | 19 | 35 | 19 | 36 | 85 | 17 | 9 | 0 | 0 | 0 | 0 | 242 |
| TOT PAY | 773,663 | 707,958 | 1,334,545 | 820,521 | 1,572,623 | 3,808,865 | 794,372 | 368,700 | 0 | 0 | 0 | 0 | 10,181,246 |
| AVG PAY | 35,167 | 37,261 | 38,130 | 43,185 | 43,684 | 44,810 | 46,728 | 40,967 | 0 | 0 | 0 | 0 | 42,071 |
| 40-44 NO. | 21 | 19 | 24 | 19 | 20 | 95 | 50 | 63 | 9 | 0 | 0 | 0 | 320 |
| TOT PAY | 791,174 | 779,183 | 1,155,985 | 764,270 | 892,853 | 4,429,603 | 2,295,459 | 2,810,759 | 437,390 | 0 | 0 | 0 | 14,356,677 |
| AVG PAY | 37,675 | 41,010 | 48,166 | 40,225 | 44,643 | 46,627 | 45,909 | 44,615 | 48,599 | 0 | 0 | 0 | 44,865 |
| 45-49 NO. | 22 | 17 | 32 | 29 | 26 | 100 | 59 | 85 | 41 | 21 | 1 | 0 | 433 |
| TOT PAY | 875,421 | 763,463 | 1,536,957 | 1,282,164 | 1,085,688 | 4,346,975 | 2,780,768 | 4,112,996 | 2,053,917 | 1,128,552 | 53,496 | 0 | 20,020,398 |
| AVG PAY | 39,792 | 44,910 | 48,030 | 44,213 | 41,757 | 43,470 | 47,132 | 48,388 | 50,096 | 53,741 | 53,496 | 0 | 46,236 |
| 50-54 NO. | 15 | 7 | 13 | 17 | 22 | 94 | 64 | 66 | 60 | 59 | 18 | 0 | 435 |
| TOT PAY | 713,552 | 408,154 | 564,068 | 752,799 | 911,549 | 3,970,633 | 3,142,029 | 3,229,898 | 2,777,981 | 2,736,774 | 837,144 | 0 | 20,044,583 |
| AVG PAY | 47,570 | 58,308 | 43,390 | 44,282 | 41,434 | 42,241 | 49,094 | 48,938 | 46,300 | 46,386 | 46,508 | 0 | 46,080 |
| 55-59 NO. | 21 | 9 | 9 | 19 | 15 | 43 | 34 | 46 | 12 | 21 | 10 | 0 | 239 |
| TOT PAY | 779,229 | 481,075 | 522,417 | 948,569 | 628,908 | 1,903,714 | 1,478,902 | 2,368,340 | 753,288 | 1,083,619 | 563,509 | 0 | 11,511,568 |
| AVG PAY | 37,106 | 53,453 | 58,046 | 49,925 | 41,927 | 44,272 | 43,497 | 51,486 | 62,774 | 51,601 | 56,351 | 0 | 48,166 |
| 60-64 NO. | 1 | 1 | 5 | 3 | 4 | 30 | 16 | 9 | 4 | 3 | 1 | 0 | 77 |
| TOT PAY | 77,538 | 26,140 | 299,067 | 149,043 | 215,122 | 1,124,715 | 725,031 | 430,069 | 133,957 | 137,910 | 90,316 | 0 | 3,408,909 |
| AVG PAY | 77,538 | 26,140 | 59,813 | 49,681 | 53,780 | 37,490 | 45,314 | 47,785 | 33,489 | 45,970 | 90,316 | 0 | 44,272 |
| 65-99 NO. | 0 | 1 | 1 | 1 | 3 | 4 | 1 | 3 | 1 | 0 | 0 | 0 | 15 |
| TOT PAY | 0 | 69,291 | 32,508 | 69,038 | 96,228 | 182,785 | 64,332 | 158,508 | 53,796 | 0 | 0 | 0 | 726,486 |
| AVG PAY | 0 | 69,291 | 32,508 | 69,038 | 32,076 | 45,696 | 64,332 | 52,836 | 53,796 | 0 | 0 | 0 | 48,432 |
| TOT NO. | 167 | 125 | 166 | 139 | 152 | 524 | 246 | 281 | 127 | 104 | 30 | 0 | 2,061 |
| TOT AMT | 5,959,712 | 5,105,300 | 7,227,637 | 5,998,907 | 6,501,767 | 22,819,663 | 11,477,126 | 3,479,270 | 6,210,328 | 5,086,855 | 1,544,465 | 0 | 91,411,031 |
| AVG AMT | 35,687 | 40,842 | 43,540 | 43,158 | 42,775 | 43,549 | 46,655 | 47,969 | 48,900 | 48,912 | 51,482 | 0 | 44,353 |

City of Fresno Employees Retirement System

## DROP Members

As of June 30, 2005

| Age Group | Years of Participation | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 0-1 | 1-2 | 2-3 | 3-4 | 4-5 | 5-6 | 6-7 | 7-8 | 8+ | Total |
| 55-59 NO. | 36 | 40 | 30 | 24 | 12 | 0 | 0 | 0 | 0 | 142 |
| AVG DEPOSIT | 21,524 | 25,616 | 22,033 | 22,973 | 21,668 | 0 | 0 | 0 | 0 | 23,041 |
| 60-64 NO. | 2 | 0 | 2 | 1 | 11 | 23 | 15 | 10 | 0 | 64 |
| AVG DEPOSIT | 25481 | 0 | 22,353 | 11,820 | 12,386 | 17,808 | 15,583 | 21,220 | 0 | 17,176 |
| 65-69 NO. | 0 | 0 | 0 | 1 | 5 | 2 | 5 | 4 | 0 | 17 |
| AVG DEPOSIT | 0 | 0 | 0 | 13,940 | 20,360 | 22,406 | 22,280 | 29,212 | 0 | 22,871 |
| 70-74 NO. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| AVG DEPOSIT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,267 | 0 | 11,267 |
| 75+ NO. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| AVG DEPOSIT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 34,724 | 0 | 34,724 |
| TOTAL | 38 | 40 | 32 | 26 | 28 | 25 | 20 | 16 | 0 | 225 |
| | 21,732 | 25,616 | 22,053 | 22,197 | 17,788 | 18,176 | 17,258 | 23,440 | 0 | 21,360 |

| | |
|---|---|
| **Total DROP Deposits** | **$4,805,930** |
| **Average Age** | **59.7** |
| **Average DROP Service** | **3.4** |

City of Fresno Employees Retirement System

## Service Retirees

As of June 30, 2005

| Age Group | Years of Retirement | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ | Total |
| 50-54 NO. | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| AVG PAY | 17,426 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,426 |
| 55-59 NO. | 121 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 121 |
| AVG PAY | 20,991 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,991 |
| 60-64 NO. | 81 | 56 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 137 |
| AVG PAY | 19,498 | 22,739 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,823 |
| 65-69 NO. | 64 | 44 | 43 | 0 | 0 | 0 | 0 | 0 | 0 | 151 |
| AVG PAY | 20,511 | 21,585 | 25,874 | 0 | 0 | 0 | 0 | 0 | 0 | 22,351 |
| 70-74 NO. | 21 | 45 | 23 | 37 | 2 | 0 | 0 | 0 | 0 | 128 |
| AVG PAY | 19,176 | 22,686 | 22,237 | 22,420 | 19,973 | 0 | 0 | 0 | 0 | 21,910 |
| 75-79 NO. | 3 | 5 | 22 | 44 | 40 | 0 | 0 | 0 | 0 | 114 |
| AVG PAY | 28,012 | 20,196 | 22,127 | 23,959 | 23,135 | 0 | 0 | 0 | 0 | 23,258 |
| 80-84 NO. | 0 | 0 | 7 | 17 | 50 | 30 | 2 | 0 | 0 | 106 |
| AVG PAY | 0 | 0 | 22,083 | 21,581 | 23,985 | 24,328 | 12,251 | 0 | 0 | 23,350 |
| 85-89 NO. | 0 | 1 | 0 | 3 | 18 | 17 | 5 | 0 | 0 | 44 |
| AVG PAY | 0 | 15,955 | 0 | 16,336 | 21,514 | 29,423 | 29,324 | 0 | 0 | 24,978 |
| 90+ NO. | 0 | 0 | 0 | 0 | 1 | 7 | 2 | 2 | 0 | 12 |
| AVG PAY | 0 | 0 | 0 | 0 | 17,289 | 16,686 | 13,636 | 17,659 | 0 | 16,390 |
| TOT NO. | 291 | 151 | 95 | 101 | 111 | 54 | 9 | 2 | 0 | 814 |
| AVG AMT | 20,399 | 22,258 | 23,847 | 22,769 | 23,146 | 24,941 | 22,044 | 17,659 | 0 | 22,127 |

**Total Benefit** **$18,011,780**
**Average Age** **70.71**
**Average No. of Years Since Retirement** **11.16**

City of Fresno Employees Retirement System

## Disabled Retirees

As of June 30, 2005

| Age Group | Years of Retirement | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ | Total |
| 40-44 NO. | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| AVG PAY | 15,270 | 12,528 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,356 |
| 45-49 NO. | 1 | 5 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| AVG PAY | 14,037 | 13,206 | 12,252 | 0 | 0 | 0 | 0 | 0 | 0 | 13,188 |
| 50-54 NO. | 10 | 6 | 3 | 2 | 0 | 0 | 0 | 0 | 0 | 21 |
| AVG PAY | 14,806 | 15,534 | 14,065 | 10,859 | 0 | 0 | 0 | 0 | 0 | 14,532 |
| 55-59 NO. | 14 | 12 | 6 | 2 | 2 | 0 | 0 | 0 | 0 | 36 |
| AVG PAY | 20,042 | 18,470 | 12,526 | 11,715 | 12,965 | 0 | 0 | 0 | 0 | 17,409 |
| 60-64 NO. | 7 | 1 | 6 | 1 | 2 | 0 | 0 | 0 | 0 | 17 |
| AVG PAY | 19,068 | 30,185 | 15,259 | 10,978 | 11,993 | 0 | 0 | 0 | 0 | 17,069 |
| 65-69 NO. | 2 | 5 | 2 | 4 | 1 | 0 | 1 | 0 | 0 | 15 |
| AVG PAY | 33,576 | 29,164 | 25,435 | 18,740 | 12,000 | 0 | 10,013 | 0 | 0 | 24,054 |
| 70-74 NO. | 1 | 2 | 2 | 2 | 0 | 4 | 0 | 0 | 0 | 11 |
| AVG PAY | 21,992 | 22,944 | 21,454 | 11,429 | 0 | 15,065 | 0 | 0 | 0 | 17,628 |
| 75-79 NO. | 1 | 0 | 0 | 2 | 2 | 1 | 1 | 0 | 1 | 8 |
| AVG PAY | 31,485 | 0 | 0 | 27,867 | 21,076 | 15,231 | 13,933 | 0 | 11,042 | 21,197 |
| 80-84 NO. | 0 | 0 | 1 | 0 | 0 | 2 | 2 | 2 | 0 | 7 |
| AVG PAY | 0 | 0 | 9,566 | 0 | 0 | 26,771 | 35,997 | 10,356 | 0 | 22,259 |
| 85-89 NO. | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| AVG PAY | 0 | 0 | 0 | 0 | 0 | 31,167 | 0 | 0 | 0 | 31,167 |
| 90+ NO. | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| AVG PAY | 0 | 0 | 0 | 0 | 0 | 20,089 | 0 | 0 | 0 | 20,089 |
| TOT NO. | 38 | 32 | 21 | 13 | 7 | 9 | 4 | 2 | 1 | 127 |
| AVG AMT | 19,140 | 19,228 | 15,452 | 16,129 | 14,867 | 20,032 | 23,985 | 10,356 | 11,042 | 18,022 |

**Total Benefit** **$2,288,844**

**Average Age** **62.11**

**Average No. of Years Since Retirement** **11.67**

City of Fresno Employees Retirement System

## Beneficiaries and Alternate Payees

As of June 30, 2005

| Age Group | Years of Retirement | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ | * | Total |
| 0-34 NO. | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| AVG PAY | 453 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 453 |
| 35-39 NO. | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| AVG PAY | 4,821 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,821 |
| 40-44 NO. | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| AVG PAY | 9,423 | 3,218 | 5,690 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,938 |
| 45-49 NO. | 3 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| AVG PAY | 10,016 | 11,577 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,640 |
| 50-54 NO. | 5 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 |
| AVG PAY | 7,102 | 9,936 | 10,014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,379 |
| 55-59 NO. | 11 | 7 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| AVG PAY | 7,635 | 11,744 | 5,962 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,906 |
| 60-64 NO. | 3 | 9 | 6 | 2 | 1 | 0 | 0 | 0 | 0 | 1 | 22 |
| AVG PAY | 8,997 | 11,445 | 15,927 | 8,679 | 8,092 | 0 | 0 | 0 | 0 | 18,724 | 12,261 |
| 65-69 NO. | 5 | 6 | 5 | 4 | 2 | 1 | 0 | 0 | 0 | 1 | 24 |
| AVG PAY | 14,911 | 13,073 | 19,318 | 16,995 | 13,478 | 26,529 | 0 | 0 | 0 | 2,343 | 15,558 |
| 70-74 NO. | 3 | 3 | 6 | 10 | 8 | 3 | 0 | 2 | 0 | 2 | 37 |
| AVG PAY | 6,502 | 9,240 | 11,448 | 11,234 | 13,869 | 10,467 | 0 | 5,340 | 0 | 33,800 | 12,132 |
| 75-79 NO. | 4 | 1 | 1 | 11 | 7 | 13 | 5 | 1 | 1 | 4 | 48 |
| AVG PAY | 11,077 | 10,312 | 26,460 | 15,812 | 11,483 | 13,996 | 11,162 | 7,878 | 5,365 | 17,207 | 13,650 |
| 80-84 NO. | 1 | 0 | 0 | 3 | 18 | 21 | 6 | 0 | 0 | 5 | 54 |
| AVG PAY | 5,052 | 0 | 0 | 11,642 | 13,133 | 15,956 | 13,768 | 0 | 0 | 13,831 | 14,134 |
| 85-89 NO. | 1 | 1 | 0 | 0 | 1 | 12 | 2 | 2 | 3 | 3 | 25 |
| AVG PAY | 6,800 | 17,218 | 0 | 0 | 15,539 | 15,057 | 15,141 | 6,129 | 7,450 | 12,311 | 12,882 |
| 90+ NO. | 1 | 0 | 0 | 0 | 1 | 1 | 2 | 1 | 2 | 3 | 11 |
| AVG PAY | 6,079 | 0 | 0 | 0 | 10,459 | 15,213 | 11,012 | 17,655 | 4,234 | 6,317 | 8,986 |
| TOT NO. | 41 | 32 | 23 | 30 | 38 | 51 | 15 | 6 | 6 | 19 | 261 |
| AVG AMT | 8,706 | 11,411 | 14,128 | 13,551 | 12,862 | 15,115 | 12,715 | 8,078 | 6,030 | 14,870 | 12,533 |

| | |
|---|---|
| **Total Benefit** | **$3,271,108** |
| **Average Age** | **73.54** |
| **Average No. of Years Since Retirement** | **18.03** |

***** Beneficiaries with unknown dates of retirement

City of Fresno Employees Retirement System

**Retirants and Beneficiaries June 30, 2005**

Tabulated by Type of Allowances Being Paid

| | | Monthly Allowance | | |
|---|---|---|---|---|
| | Number | Basic | Cost of Living | Total |
| Service Retirement | | | | |
| Unmodified | 408 | $562,785 | $183,253 | $746,037 |
| Option 1 | 280 | 343,246 | 164,875 | 508,121 |
| Option 2 & 3 | 126 | 200,799 | 46,024 | 246,823 |
| Total | 814 | $1,106,830 | $394,152 | $1,500,982 |
| Disability Retirement | | | | |
| Unmodified | 75 | $84,576 | $31,921 | $116,497 |
| Option 1 | 37 | 37,615 | 13,568 | 51,182 |
| Option 2 & 3 | 15 | 19,377 | 3,681 | 23,058 |
| Total | 127 | $141,568 | $49,169 | $190,737 |
| Beneficiaries | | | | |
| Total | 261 | $147,703 | $124,889 | $272,592 |
| **Total** | **1,202** | **$1,396,100** | **$568,211** | **$1,964,311** |

# ACTUARIAL COST METHODS, ACTUARIAL ASSUMPTIONS

# AND

# DEFINITIONS OF TECHNICAL TERMS

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using a projected unit credit actuarial cost method. Future, anticipated compensation increases are incorporated into this method.

Financing of Prefunded Actuarial Accrued Liability. Each year's actuarial gain (loss) impacts the PRSB account and the PRSB reserve. As part of this calculation, 15-year amortization is assumed. Currently, there is an excess of the actuarial value of assets over the actuarial value of liabilities which is part of a computation to derive an offset to the normal cost rate.

Active member payroll in aggregate is assumed to increase 4.25% a year for the purpose of determining the level percent contributions, although individual annual pay increase rates will increase by greater percentages per year for the purpose of projecting individual pays.

Deferred Member Actuarial Accrued Liability. Data provided includes date of hire, date of birth, date of termination, and last pay. Service credit, highest average salary, and deferred retirement age were estimated, based on the data provided. The estimates were used to compute the retirement benefit, upon which the liabilities are based.

## Actuarial Assumptions Used for the June 30, 2005 Valuation

The contribution requirements and benefit values of the Fund are calculated by applying actuarial assumptions to the benefit provisions and member information furnished, using the actuarial cost methods described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

(i) long-term rates of investment return to be generated by the assets of the Fund.

(ii) patterns of pay increases to members.

(iii) rates of mortality among members, retirants, and beneficiaries.

(iv) rates of withdrawal of active members (without entitlement to a retirement benefit).

(v) rates of disability among members.

(vi) the age patterns of actual retirements.

In making a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survives -- a period of time which can be as long as a century.

- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

Actual experience of the System will not coincide exactly with assumed experience, regardless of the choice of the assumptions, the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate. From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

(Continued on Next Page)

## Actuarial Assumptions Used for the June 30, 2005 Valuation

(Continued)

The Projected Unit Credit Actuarial Cost Method was used in conjunction with the following actuarial assumptions.

The investment return rate used for the actuarial valuation calculations was 8.25% a year, net of administrative expenses, compounded annually. This assumption, used to equate the value of payments due at different points in time, is adopted by the Retirement Board. The rate is comprised of two elements:

| | |
|---|---|
| General Inflation | 4.25% |
| Real Rate of Return | 4.00% |
| Total | 8.25% |

The general inflation rate used for the actuarial valuation calculations was 4.25% per year, compounded annually. It represents the difference between the investment return rate and the assumed real rate of return.

The post-retirement COLA rate was 4.25% per year, compounded annually.

Inflation actually experienced, as measured by the Consumer Price Index for urban wage earners, has been as follows:

Consumer Price Index
Urban Wage Earners and Clerical Workers Before 1978
All Urban Consumers After 1977
10 Year Moving Averages

| | |
|---|---|
| June 30, 1965 | 1.7 % |
| June 30, 1975 | 5.4% |
| June 30, 1985 | 7.2% |
| June 30, 1995 | 3.5% |
| June 30, 2005 | 2.5% |
| **50-Year Average** | **4.1%** |

## Actuarial Assumptions Used for the June 30, 2005 Valuation

(Continued)

Compensation increase rates used to project current pays to those, upon which a benefit will be based, are represented by the following table.

| Annual Rate of Compensation Increase | |
|---|---|
| General Inflation | 4.25% |
| plus | |
| Merit & Longevity See Table Below. | Based on completed years of service. |

| Years of Service | |
|---|---|
| 0 | 7.75% |
| 1 | 5.75% |
| 2 | 4.75% |
| 3 | 3.45% |
| 4 | 2.85% |
| 5 | 1.85% |
| 6 | 0.85% |
| 7 | 0.65% |
| 8 | 0.45% |
| 9+ | 0.05% |

Rates of separation from active membership and withdrawing employee contributions are shown below (rates do not include separation on account of retirement or death). This assumption measures the probabilities of members remaining in employment.

% of Active Members

Separating Within Next Year and Withdrawing Employee Monies

| Sample | Under 5 Years (median) | | 5-9 Years of Service | | 10+Years of Service | |
|---|---|---|---|---|---|---|
| Ages | Men | Women | Men | Women | Men | Women |
| 20 | 6% | 7.2% | 3.0% | 7.5% | 3.0% | 5.0% |
| 25 | 6% | 7.2% | 3.0% | 7.5% | 3.0% | 5.0% |
| 30 | 6% | 7.2% | 3.0% | 7.5% | 3.0% | 5.0% |
| 35 | 6% | 7.2% | 2.13% | 4.5% | 1.9% | 2.5% |
| 40 | 6% | 7.2% | 1.98% | 3.0% | 1.4% | 1.0% |
| 45 | 6% | 7.2% | 1.80% | 3.0% | 0.95% | 0.75% |
| 50 | 6% | 7.2% | 1.45% | 1.5% | 0.75% | 0.75% |
| 55 | 6% | 7.2% | 1.20% | 0.75% | 0% | 0% |
| 60 | 0% | 0% | 0.95% | 0.15% | 0% | 0% |

% of Active Members

Separating Due to the Following Causes

| Sample | Vested Termination | | Ordinary Disability | | Ordinary Death | |
|---|---|---|---|---|---|---|
| Ages | Men | Women | Men | Women | Men | Women |
| 20 | 0% | 0% | 0% | 0% | .04% | .03% |
| 25 | 0% | 0% | 0% | 0% | .05% | .03% |
| 30 | 1.0% | 2.25% | .01% | .01% | .07% | .04% |
| 35 | 1.0% | 2.25% | .05% | .05% | .07% | .05% |
| 40 | 1.4% | 2.25% | .50% | .50% | .09% | .08% |
| 45 | 2.0% | 2.0% | .75% | .75% | .13% | .10% |
| 50 | 1.5% | 2.0% | .85% | .85% | .21% | .15% |
| 55 | 1.4% | 1.8% | .85% | .85% | .36% | .25% |
| 60 | 0% | 0% | 0% | 0% | .65% | .48% |

The post-retirement mortality table used were the 1994 Group Annuity Mortality Basic Tables (Uninsured Pensioners), for men and one-year setback of the Female table for women.

This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. The 1984 Disabled Life Mortality Table is used for disabilitants, with three-year setback. Related values are shown below.

| | Future Life Expectancy (Years) | | % Dying Within Next Year | |
|---|---|---|---|---|
| | Non-disabled Retirees | | Non-disabled Retirees | |
| Sample Ages | Men | Women | Men | Women |
| 55 | 25.5 | 30.5 | .48 | .22 |
| 60 | 21.2 | 25.9 | .86 | .42 |
| 65 | 17.3 | 21.6 | 1.56 | .82 |
| 70 | 13.8 | 17.6 | 2.55 | 1.37 |
| 75 | 10.7 | 13.9 | 4.00 | 2.19 |

| Sample Ages | Future Life Expectancy (Years) Disabled Retirees | % Dying Within Next Year Disabled Retirees |
|---|---|---|
| 45 | 25.2 | 1.88 |
| 50 | 22.6 | 2.22 |
| 55 | 20.2 | 2.59 |
| 60 | 17.8 | 3.03 |
| 65 | 15.5 | 3.48 |
| 70 | 13.2 | 4.00 |
| 75 | 10.8 | 4.72 |

(Continued)

The rates of retirement used to measure the probability of eligible members retiring during the next year.

| Retirement Ages | Male | Female |
|---|---|---|
| 55 | 12.27% | 13.0% |
| 56 | 6.32% | 7.0% |
| 57 | 7.37% | 3.5% |
| 58 | 7.70% | 3.8% |
| 59 | 7.88% | 8.0% |
| 60 | 7.91% | 10.0% |
| 61 | 9.38% | 13.5% |
| 62 | 13.50% | 22.0% |
| 63 | 9.75% | 12.0% |
| 64 | 9.75% | 12.0% |
| 65 | 18.71% | 30.0% |
| 66 | 20.57% | 15.0% |
| 67 | 30.01% | 12.5% |
| 68 | 38.21% | 22.5% |
| 69 | 45.86% | 26.0% |
| 70 | 100% | 100% |

DROP Assumption:

| | |
|---|---|
| First Year Eligible: | 45% |
| Second Year Eligible: | 15% |
| Third Year Eligible: | 10% |
| Fourth Year Eligible: | 10% |
| Thereafter | none |

Members are assumed to remain in DROP 4 years.

For current deferred vested members, we assume that benefits will commence at the later of age 55 or current attained age. We assume that none of the deferred vested members are reciprocal.

Survivor Benefits. Marital status and spouses' census data were imputed with respect to active and deferred members.

Marital Status – 80% of male and 60% of female members are assumed to be married at retirement.

Spouse Census – Female spouses are assumed to be 4 years younger than their spouse.

COLA Assumptions - 4.25% per annum.

**City of Fresno Employees Retirement System**

Comparison of Selected Actuarial Assumptions To Actual Experience

(Continued)

The salary increase assumptions project annual increases in total member payroll of 4.25%, the inflation portion of the individual pay increase assumptions. In effect, this assumes no change in the number of active members. Changes actually experienced in areas related to these assumptions have been as follows:

| | Year Ended | | | | 3-year | 4-year |
|---|---|---|---|---|---|---|
| | 6/30/05 | 6/30/04 | 6/30/03 | 6/30/02 | Average | Average |
| Inflation[1] | 2.5% | 3.3% | 2.1% | 1.1% | 2.6% | 2.2% |
| Assumed | | | | | 4.25[2] | 4.25[2] |
| Average Pay Increase[5] | 1.7 | 2.1 | 1.3 | 2.5 | 1.7 | 1.9 |
| Assumed | | | | | 4.25[2] | 4.25[2] |
| Merit & Longevity Increase | (0.8) | (1.2) | (0.8) | 1.4 | (0.9) | (0.3) |
| Assumed | | | | | 0.5 | 0.5 |
| Total Payroll | 2.8 | 2.5 | 4.6 | 3.2 | 3.3 | 3.3 |
| Assumed | | | | | 4.25[2] | 4.25[2] |
| Investment Return Rate[4] | 9.8 | 3.3 | (4.2) | (1.6) | 2.8 | 1.7 |
| Assumed | | | | | 8.25 | 8.25 |
| Real Rate of Investment Return[4] | 7.3 | 0.0 | (6.3) | (2.7) | 0.2 | (0.5) |
| Assumed | | | | | 4.0[3] | 4.0[3] |

1 Based on Consumer Price Index for All Urban Consumers.

2 Reduced from 4.5% for 2004 valuation and after.

3 Increased from 3.75% for 2004 valuation and after.

4 Based on actuarial value of assets NOT market value or book value.

5 Only non-DROP actives considered.

## Definitions of Technical Terms

Actuarial Accrued Liability. The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability" or "actuarial liability".

Actuarial Assumptions. Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Actuarial assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Accrued Service. Service credited under the System which was rendered before the date of the actuarial valuation.

Actuarial Equivalent. A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefits between future normal cost and actuarial accrued liability. Sometimes referred to as the "actuarial funding method".

Actuarial Gain (Loss). The difference between actual experience and actuarial assumption anticipated experience during the period between two actuarial valuation dates.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and principal -- as opposed to paying off with lump sum payment.

Normal Cost. The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

Prefunded Actuarial Accrued Liability. The excess of valuation assets over actuarial accrued liability.

# DISCLOSURES REQUIRED BY
# STATEMENTS NO. 25 AND 27 OF
# THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD

**GASB No. 25 Disclosure**
**Schedule of Funding Progress**
**Retirement Benefits**

($ in Thousands)

| Valuation Date | Valuation Assets | Actuarial Accrued Liability | Prefunded AAL | Funded Ratio | Member Payroll | PAAL Ratio to Payroll |
|---|---|---|---|---|---|---|
| 6/30/96 | $460,073 | $377,719 | $82,354 | 121.8% | $67,450 | 122% |
| 6/30/97 | 538,055 | 402,367 | 135,688 | 133.7 | 69,287 | 196 |
| 6/30/98 | 625,121 | 409,175 | 215,946 | 152.8 | 69,793 | 309 |
| 6/30/99 | 702,481 | 426,538 | 275,943 | 164.7 | 76,382 | 361 |
| 6/30/00 | 770,649 | 471,207 | 299,442 | 163.5 | 84,717 | 354 |
| 6/30/01 | 781,831 | 500,586 | 281,245 | 156.2 | 90,177 | 312 |
| 6/30/02 | 748,762 | 529,805 | 218,957 | 141.3 | 93,086 | 235 |
| 6/30/03 | 698,885 | 545,687 | 153,198 | 128.1 | 97,349 | 157 |
| 6/30/04 | 741,766 | 554,366 | 187,400 | 133.8 | 99,745 | 188 |
| 6/30/05 | 790,858 | 565,550 | 225,308 | 139.8 | 102,558 | 220 |

**GASB No. 25 Disclosure**
**Schedule of Employer Contributions**
**Retirement Benefits**

| Year Ended June 30 | Actuarially Required Contributions (ARC) | Contributions Made |
|---|---|---|
| 1998 | 0 | 0 |
| 1999 | 0 | 0 |
| 2000 | 0 | 0 |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 0[1] | 0 |
| 2004 | 0[1] | 0 |
| 2005 | 0[1] | 0 |

[1] May vary depending on City's expensing policy

City of Fresno Employees Retirement System

## Solvency Test for Retirement Benefits

For Years Ended June 30

(In Thousands)

| Valuation Date | Aggregate Accrued Liabilities For (1) Active Member Contributions | (2) Retirees* and Beneficiaries | (3) Active Members (Employer Financed Portion) | Actuarial Value of Assets | Portion of Accrued Liabilities Covered by Reported Assets (1) | (2) | (3) |
|---|---|---|---|---|---|---|---|
| 6/30/2005 | 88,322 | 360,303 | 116,925 | 790,858 | 100% | 100% | 100% |
| 6/30/2004 | 87,756 | 352,680 | 113,930 | 741,766 | 100% | 100% | 100% |
| 6/30/2003 | 87,876 | 334,590 | 123,221 | 698,885 | 100% | 100% | 100% |
| 6/30/2002 | 85,532 | 324,254 | 120,019 | 748,762 | 100% | 100% | 100% |
| 6/30/2001 | 84,217 | 300,562 | 115,707 | 781,831 | 100% | 100% | 100% |
| 6/30/2000 | 82,588 | 280,005 | 108,614 | 770,649 | 100% | 100% | 100% |
| 6/30/1999 | 85,630 | 259,886 | 81,022 | 702,481 | 100% | 100% | 100% |
| 6/30/1998 | 81,736 | 240,587 | 86,852 | 625,121 | 100% | 100% | 100% |
| 6/30/1997 | 88,020 | 210,441 | 103,906 | 538,055 | 100% | 100% | 100% |
| 6/30/1996 | 81,336 | 195,619 | 100,764 | 460,073 | 100% | 100% | 100% |
| 6/30/1994 | 69,292 | 185,946 | 103,164 | 371,158 | 100% | 100% | 100% |
| 6/30/1992 | 57,006 | 158,809 | 105,013 | 269,203 | 100% | 100% | 50.84% |

* Includes deferred vested members

# APPENDIX A:

# MEMBER CONTRIBUTION RATES

City of Fresno Employees Retirement System

## Member Contribution Rates

| Entry Age | Basic | Cola | Surplus Offset | Total |
|---|---|---|---|---|
| 16 | 2.53% | 1.44% | -1.44% | 2.53% |
| 17 | 2.62% | 1.49% | -1.49% | 2.62% |
| 18 | 2.71% | 1.54% | -1.54% | 2.71% |
| 19 | 2.80% | 1.59% | -1.59% | 2.80% |
| 20 | 2.90% | 1.64% | -1.64% | 2.90% |
| 21 | 3.01% | 1.71% | -1.71% | 3.01% |
| 22 | 3.11% | 1.76% | -1.76% | 3.11% |
| 23 | 3.23% | 1.83% | -1.83% | 3.23% |
| 24 | 3.35% | 1.90% | -1.90% | 3.35% |
| 25 | 3.48% | 1.97% | -1.97% | 3.48% |
| 26 | 3.61% | 2.05% | -2.05% | 3.61% |
| 27 | 3.76% | 2.13% | -2.13% | 3.76% |
| 28 | 3.91% | 2.22% | -2.22% | 3.91% |
| 29 | 4.07% | 2.31% | -2.31% | 4.07% |
| 30 | 4.25% | 2.41% | -2.41% | 4.25% |
| 31 | 4.35% | 2.47% | -2.47% | 4.35% |
| 32 | 4.44% | 2.52% | -2.52% | 4.44% |
| 33 | 4.55% | 2.58% | -2.58% | 4.55% |
| 34 | 4.65% | 2.64% | -2.64% | 4.65% |
| 35 | 4.75% | 2.69% | -2.69% | 4.75% |
| 36 | 4.86% | 2.76% | -2.76% | 4.86% |
| 37 | 4.98% | 2.82% | -2.82% | 4.98% |
| 38 | 5.09% | 2.89% | -2.89% | 5.09% |
| 39 | 5.21% | 2.96% | -2.96% | 5.21% |
| 40 | 5.33% | 3.02% | -3.02% | 5.33% |
| 41 | 5.46% | 3.10% | -3.10% | 5.46% |
| 42 | 5.59% | 3.17% | -3.17% | 5.59% |
| 43 | 5.73% | 3.25% | -3.25% | 5.73% |
| 44 | 5.88% | 3.34% | -3.34% | 5.88% |
| 45 | 6.00% | 3.41% | -3.41% | 6.00% |
| 46 | 6.13% | 3.48% | -3.48% | 6.13% |
| 47 | 6.25% | 3.55% | -3.55% | 6.25% |
| 48 | 6.38% | 3.62% | -3.62% | 6.38% |
| 49 | 6.50% | 3.69% | -3.69% | 6.50% |
| 50 | 6.62% | 3.76% | -3.76% | 6.62% |
| 51 | 6.75% | 3.83% | -3.83% | 6.75% |
| 52 | 6.87% | 3.90% | -3.90% | 6.87% |
| 53 | 7.00% | 3.97% | -3.97% | 7.00% |
| 54 + | 7.12% | 4.04% | -4.04% | 7.12% |